



Statistical Release

Thursday 1 December 2011

Local Authority Borrowing and Investments – 2010-11

UK

- Total gross borrowing increased from £58.1 billion at the end of 2005-06 to £70.6 billion at the end of 2010-11, an increase of 21% over 5 years and 4% over the last year.
- 99% of borrowing is longer term of which 76% was with the Public Works Loan Board.
- Total investments increased from £23.5 billion at the end of 2009-10 to £25.1 billion at the end of 2010-11, an increase of 7%.
- 69% of all investments as at 31st March 2011 were in Banks and Building Societies.

This release relates to local authority Borrowing and Investments in the UK as at 31 March 2011. The information is derived from Monthly and Quarterly Borrowing and Investment forms submitted by all Local Authorities, including Waste, Police and Fire, in the. The release has been compiled by the Local Government Finance – Data Collection, Analysis and Accountancy division of the Department for Communities and Local Government.

Responsible Statisticians:

Mike Young and Steven Melbourne Email : BORROWING.Statistics@communities.gsi.gov.uk

Contact points:

Press enquiries:

Telephone 0303 444 4183

Email press.office@communities.gsi.gov.uk

Other enquiries:

Telephone 0303 444 4183

Email: BORROWING.Statistics@communities.gsi.gov.uk

Website: www.communities.gov.uk

Local Authority Borrowing and Investments – 2011 The UK

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Background

The information for local authority borrowing and investments is collected from a sample of 160 local authorities (covering all types of authorities and all administrations) monthly and from all 516 local authorities in the UK every quarter.

The borrowing and lending inquiry covers all external borrowing, lending and transactions in financial assets by local authorities in the United Kingdom.

Outstanding debt includes temporary borrowing for management of cash flow and longer-term borrowing taken out to finance capital projects.

The total of local authority investments is the financial representation of local authorities' reserves, unused capital receipts and cash flow surpluses, though authorities that are net borrowers may use such resources to reduce their borrowing rather than holding them as investments. The 'other sources' section, used during this release, includes investments with public corporations, other financial institutions and British Government securities¹.

New borrowing and drawing down of investments are ways of accessing funds. New borrowing is a major way of financing capital spending. Funds that are received as income or capital receipts, but are not going to be spent immediately, may be invested or used to redeem debt.

The local authority borrowing data collected and validated by DCLG is used by the Office for National Statistics (ONS) and Her Majesty's Treasury (HMT) to compile the monthly Public Sector Finances first release.

Total Local Authority Borrowing 2005-06 to 2010-11

- Total borrowing has increased from £67.8 billion in 2009-10 to £70.6 billion in 2010-11.
- The vast majority of outstanding debt is longer-term borrowing (99%).
- Between 2009-10 and 2010-11 total local authority borrowing increased by 4%.

Table 1: Total local authority borrowing 2005-06 to 2010-11.

As at 31st March:	2006	2007	2008	2009	2010	£ million 2011	% Change 2010-11
Total	58,117	61,415	65,886	66,775	67,862	70,563	4%

Local Authority Temporary Borrowing – 2005-06 to 2010-11

1. **Table 2** provides figures for Local Authority Temporary Borrowing from 2005-6 to 2010-11. Temporary borrowing refers to borrowing with an original maturity of up to 364 days.

- In the UK total temporary Borrowing increased each year between 2005-06 and 2008-09. However in 2009-10 total temporary local authority borrowing decreased from £1.6 billion to £1.0 billion, and in 2010-11 temporary borrowing decreased again down to £781 million.
- Borrowing from Public Corporations increased by 144% from £60 million in 2009-2010 to £146 million in 2010-11.
- Local Authority Borrowing from Banks and Building Societies increased between 2009-10 and 2010-11. Borrowing from Banks increased from £69 million to £106 million whilst borrowing from Building Societies increased from £82 million to £141 million.

Table 2: Local authority temporary borrowing 2005-06 to 2010-11.						£ million 2011
As at 31st March	2006	2007	2008	2009	2010	
Type of Borrowing:						
Banks	86	124	111	195	69	106
Building societies	144	242	286	457	82	141
Other financial intermediaries	601	755	904	891	750	315
Public corporations	65	193	39	30	60	146
Private non-financial corporations	18	18	28	23	10	8
Central government	0	0	0	0	0	27
Household sector	51	47	48	45	42	36
Other sources	6	8	2	4	1	2
Total	971	1,387	1,419	1,645	1,014	781

Table 3: Percentage of Temporary Borrowing by type.

Type of Borrowing:	% of Total Temporary Borrowing ^(a)					
	2006	2007	2008	2009	2010	2011
Banks	9	9	8	12	7	14
Building societies	15	17	20	28	8	18
Other financial intermediaries	62	54	64	54	74	40
Public corporations	7	14	3	2	6	19
Private non-financial corporations	2	1	2	1	1	1
Central government	0	0	0	0	0	3
Household sector	5	3	3	3	4	5
Other sources	1	1	0	0	0	0

(a) Totals may not sum to 100% due to rounding.

Local Authority longer term borrowing 2005-06 to 2010-11

1. **Table 4** provides figures for longer term borrowing from 2005-06 to 2010-11 for the UK.

- Longer term borrowing has increased every year between 2005-06 (£57.1 billion) and 2010-11 (£69.8 billion).
- Between 2009-10 and 2010-11, Local Authorities longer term borrowing from Building Societies has decreased by 75%, from £63 million to £16 million.
- 76% of all longer term borrowing was with the Public Works Loan Board.

Table 4: Local authority Longer Term borrowing 2005-06 to 2010-11.						£ million
As at 31st March:	2006	2007	2008	2009	2010	2011
Longer-term borrowing						
Negotiable bonds	555	656	594	597	597	1,026 (a)
Listed securities other than bonds	472	532	524	430	430	413
Public Works Loan Board	45,824	47,169	50,194	50,274	50,816	52,701
Banks UK	7,664	9,063	10,305	10,703	11,382	11,802
Building societies	65	67	59	40	63	16
Other financial intermediaries	544	342	291	263	254	326
Public corporations	1	2	1	2	2	4
Private non-financial corporations	2	2	2	2	2	2
Central government	89	90	92	106	105	61
Household sector	20	9	8	8	8	6
Rest of the World	1,893	2,079	2,383	2,695	3,177	3,414
Other sources	18	18	15	12	12	12
Total	57,147	60,028	64,467	65,130	66,847	69,782

(a) This includes GLA's borrowing to fund their contribution to Crossrail.

Table 5: Percentage of Temporary Borrowing by type.

Type of Borrowing:	% of Total Longer Term Borrowing ^(a)					
	2006	2007	2008	2009	2010	2011
Negotiable bonds	1	1	1	1	1	1
Listed securities other than bonds	1	1	1	1	1	1
Public Works Loan Board	80	79	78	77	76	76
Banks	13	15	16	16	17	17
Building societies	0	0	0	0	0	0
Other financial intermediaries	1	1	0	0	0	0
Public corporations	0	0	0	0	0	0
Private non-financial corporations	0	0	0	0	0	0
Central government	0	0	0	0	0	0
Household sector	0	0	0	0	0	0
Rest of the World	3	3	4	4	5	5
Other sources	0	0	0	0	0	0

(a) Totals may not sum to 100% due to rounding.

Local Authority Investments 2005-06 – 2010-11

- Total investments have increased from £23.5 billion in 2009-10 to £25.1 billion in 2010-11.
- Treasury bills increased from £131 million in 2009-10 to £1.0 billion in 2010-11.
- Use of the Debt Management Account reduced by 70% between 2009-10 and 2010-11.
- 69% of all investments in 2010-11 were in Banks and Building Societies.

**Table 6: Local authority investments
2005-06 to 2010-11**

As at 31 st March	2006	2007	2008	2009	2010	£ million 2011
Deposits: banks	14,216	16,219	17,460	13,833	13,968	15,391
Deposits: building societies	7,287	7,357	10,355	6,654	2,323	1,969
Treasury bills	0	0	6	0	131	1028 ^(b)
Certificates of deposit: banks	35	3	78	170	159	1
Certificates of deposit: building societies	0	0	6	5	0	1
British Government (Gilt-edge) securities	28	4	0	24	80	135
Other financial intermediaries	110	46	154	39	41	46
Public corporations	112	103	104	107	153	156
Debt Management Account deposit facility deposit facility	122	11	82	2,528	2,172	658
National Loans Fund	0	0	0	0	0	0
Money market funds ^(a)	268	226	607	1,221	1,384	2,847
Externally managed funds	4,759	3,733	2,905	2,070	2,507	2,150
Other investments	527	931	1,469	1,054	568	684
Total investments	23,573	28,633	33,227	27,705	23,486	24,038

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns.

(a) Changes to the investments regulations with effect from 1st April 2002 enabled authorities to invest in the government's Debt Management Account deposit facility and in commercial money market funds. More substantial changes to the investment regime with effect from 1st April 2004 gave authorities greater freedom, by removing most restrictions on the choice of investment options and the periods for which funds could be committed.

(b) Includes funding received but not yet used for Crossrail.

Table 7: Percentage of Total Investment by type.

Type of Investment	% of Total Investments ^(a)					
	2006	2007	2008	2009	2010	2011
Deposits: banks	60	57	53	50	59	61
Deposits: building societies	31	26	31	24	10	8
Treasury bills	0	0	0	0	1	4
Certificates of deposit: banks	0	0	0	1	1	0
Certificates of deposit: building societies	0	0	0	0	0	0
British Government (Gilt-edge) securities	0	0	0	0	0	1
Other financial intermediaries	0	0	0	0	0	0
Public corporations	0	0	0	0	1	1
Debt Management Account deposit facility	1	0	0	9	9	3
National Loans Fund	0	0	0	0	0	0
Money market funds	1	1	2	4	6	11
Externally managed funds	20	13	9	7	11	9
Other investments	2	3	4	4	2	3

(a) Totals may not sum to 100% due to rounding.

Terminology used in this release

Banks

Where a joint account is maintained with a pension fund, the balance is recorded minus amounts attributable to the pension fund. Alternatively, where an authority is holding money on loan from a pension fund, the amount of the loan is recorded as borrowing from "Other financial intermediaries"

Data from Banks are reported on the same basis as on local authority bank statements. When a Local Authority has more than one account with the same bank and there is a formal agreement or legal right to treat the accounts as a single entity (i.e. set-off), the accounts are treated as one account and only the overall balance or overdraft is entered.

Building Societies in UK

Building Societies, and only Building Societies, have the words "Building Societies" in their titles. As with Banks, deposits/loans with branches outside of the UK are recorded as being with "Other Investment Sources".

Capital receipts

Income from the sale of capital assets; such income may only be used to repay loan debt or to finance new capital expenditure.

Central Government

Includes all transactions with central government, its departments and agencies, and non-departmental public bodies.

Debt Management Office

The UK Debt Management Office (DMO), was established on 1 April 1998. The DMO is responsible for carrying out the Government's debt management policy of minimizing financing costs over the long term, taking account of risk, and managing the aggregate

cash needs of the Exchequer in the most cost-effective way, in both cases consistently with the objectives of monetary and any wider policy considerations.

Externally managed funds

Money market funds only include pooled investments where all unitholders in the fund jointly own all the investments in the fund. Externally managed funds relates to funds placed with a fund manager to invest on behalf of the local authority.

Household Sector

As well as private individuals, this sector includes housing associations, churches, universities, examination boards, clubs, trade unions and other non-profit-making bodies. Unincorporated businesses are included, except co-operative societies and partnerships.

Money Market Funds

Negotiable bonds

Negotiable bonds include, bonds issued under the Stocks and Bonds Regulations, which have same-day transferability in London, commercial papers with a maturity between 90 and 364 days and Medium term Notes which have a maturity of between 1 and 5 years.

Other financial intermediaries

These are UK institutions specialising in granting credit and/or investing in securities, which are not banks or building societies. This sector includes amongst other things, pension funds, bank holding companies, certain mortgage and finance companies, Local Authority Mutual Investment Trust and insurance companies.

Other Investments / Sources

In some cases, such as borrowing from bank nominees, the source may not be identifiable. It also includes any transactions made directly with households or institutions with an address outside the UK.

Other Stock Issues

This includes other securities negotiable or tradable on secondary markets. Local bonds and mortgages, sometimes called Town Hall or over-the-counter bonds, are recorded as loans to the sector(s) holding the bonds, where possible, usually the households sector.

Public Corporations

These are wholly or majority owned by institutions in central or local government and include: Royal Mail, British Broadcasting Corporation, British Waterways, The Civil Aviation Authority, London Underground Ltd, The Commonwealth Development Corporation and National Health Service Trust hospitals. Also included are wholly or majority owned local authority companies, the New Towns Commission, Urban Development Corporations and Passenger Transport Executives. (But note that the Housing Corporation is classified to Central Government).

Private non-financial corporations

This sector includes all UK non-financial commercial businesses. Minority-owned local authority companies, co-operative societies and partnerships are included as well as legally incorporated companies.

Rest of the World

A list of banks can be found at: www.fsa.gov.uk/Pages/Library/Other_publications/Banks
Banks incorporated in the United Kingdom are classed as UK banks i.e. Lloyds plc. Banks incorporated inside or outside the European Economic Area (EEA) but authorised or entitled to accept deposits through a branch in the UK' are classed as UK banks i.e. Dresdner bank AG. Banks authorised in the EEA entitled to establish branches in the UK but not to accept deposits in the UK' are classed as rest of the world banks i.e. Depfa bank plc.

Temporary/longer-term

Temporary means an original maturity of up to 364 days. Instruments with a 364-day break clause, or similar, where local authorities can insist on repayment or be compelled to repay after each 364-day period are classified as temporary. Longer-term loans reaching the last year of their maturity should continue to be classified as longer-term.

Treasury Bills

A treasury bill is a short term (less than one year) government zero coupon bond

Data quality

The information in this release is based on data returned to the Department for Communities and Local Government by local authorities in the UK on borrowing and investment forms.

Figures are subjected to rigorous pre-defined validation tests both within the form itself, while the form is being completed by the authority and also in the Department for Communities and Local Government as the data are received and stored.

Finally, the release document, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.

Uses made of the data

The figures provided by local authorities are used by the ONS to compile key financial statistics such as Public Sector Net Borrowing and Public Sector Net Debt. These are used by HM Treasury and Bank of England when setting fiscal and monetary policy for the UK, and are published in the Public Sector Finances First Release, by HM Treasury and the ONS each month, which be found on the Internet at:

<http://www.ons.gov.uk/ons/publications/all-releases.html?definition=tcm%3A77-223986>

Background Notes

1. The information in this Statistical Release has been derived from Monthly and Quarterly Borrowing and Investment Forms submitted by all Local Authorities in the UK.
2. Enquiries about this release should be addressed to Rachael Clayton at rachael.clayton@communities.gsi.gov.uk (Tel. 0303 444 44183).

3. The responsible statisticians for this release are Mike Young and Steven Melbourne who can be contacted on BORROWING.Statistics@communities.gsi.gov.uk
4. Timings of future releases are regularly placed on the Department's website, www.communities.gov.uk/corporate/researchandstatistics/statistics/publicationschedule/ and on the National Statistics website, www.statistics.gov.uk/hub/release-calendar/index.html
5. Further information is also available on the Department's website www.communities.gov.uk/localgovernment/localgovernmentfinance/
6. For a fuller picture of recent trends in local government finance readers are directed to *Local Government Financial Statistics The UK No.21 2011* which is available in hard copy from Cambertown Limited at product@communities.gsi.gov.uk (Tel: 0300 123 1124) and electronically in PDF format via the Department's web site: <http://www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011>

Symbols and convention used in this release

0 = Zero or negligible

Rounding

Where figures have been rounded, there may be a slight discrepancy between the total and the sum of constituent items.

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